

CLEVELAND PUBLIC LIBRARY
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1970 Annual Report



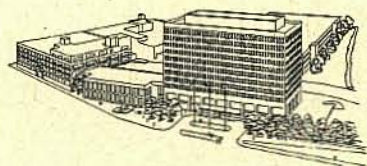
The Coca-Cola Company

Wilmington, Delaware

**1970
Annual
Report**

The Coca-Cola Company and Subsidiaries

*As a contribution to the conservation of our natural resources
and the protection of the ecology, the paper used in this report
has been manufactured from 100% reclaimed waste paper.*



Letter to Stockholders

March 1, 1971

Consolidated net sales in 1970 were \$1,606,401,160 compared with \$1,422,063,013 in 1969. Consolidated net profit in 1970, after reserves, taxes, and all other charges, was \$146,875,967, or \$2.48 a share, compared with \$130,238,315, or \$2.20 a share, in 1969, an increase of 13%. Sales and earnings reached an all-time high. In 1970 the Company adopted the policy of including in consolidated net profit the entire net profit of all foreign subsidiaries. The financial statements for 1969 have been restated to include the entire

net profit of all foreign subsidiaries resulting in an increase in 1969 consolidated net profit of \$6,206,030 (10¢ a share). Consolidated sales and earnings figures for the years 1969 and 1970 have been adjusted to reflect the operations of Aqua-Chem, Inc.

The merger of Aqua-Chem, Inc., into The Coca-Cola Company became effective May 8, 1970, on which date J. C. Cleaver, Chairman of the Board of Aqua-Chem, Inc., became a Director of The Coca-Cola Company. Aqua-Chem, an important producer of

equipment for desalting sea and brackish water, manufactures pollution control equipment for the purification of both domestic water and industrial waste water. It also manufactures a complete line of pollution-free packaged steam and hot water generators.

The Coca-Cola Company fully supports national efforts designed to improve the quality of life through environmental protection and has given this vital subject high priority.

The Federal Trade Commission has indicated that it plans to issue a complaint against a number of soft drink companies, including The Coca-Cola Company, attacking the validity of the territorial provisions of bottlers' contracts. Management of The Coca-Cola Company intends to defend vigorously the integrity of our contracts with bottlers.

Charles W. Duncan, Jr., a Director of the Company since the acquisition of the Duncan Foods Co. in 1964, and most recently Executive Vice Presi-

dent of The Coca-Cola Export Corporation and head of its London-based operation, Coca-Cola Europe, was elected Executive Vice President of The Coca-Cola Company on May 5, 1970, with headquarters in Atlanta, Georgia.

On March 1, 1971, the Board of Directors increased the quarterly dividend rate from 36¢ a share to 39½¢ a share, payable April 1 to stockholders of record March 12. This is the ninth consecutive year the dividend rate has been increased.

A separate mailing to stockholders will contain the proxy, proxy statement, and notice of the annual meeting of stockholders to be held on Monday, May 3, 1971, at 10:00 A.M., Wilmington time, at the office of the Company, 100 West Tenth Street, Wilmington, Delaware.

For the Board of Directors

J. Paul Austin
Chairman and President

Board of Directors

A. A. Acklin, Atlanta, Ga.

Retired, Former President, The Coca-Cola Company

J. Paul Austin, Atlanta, Ga.

*Chairman, Board of Directors, and President,
The Coca-Cola Company*

C. H. Candler, Jr., Atlanta, Ga.

Director of Various Corporations

Thomas H. Choate, New York, N. Y.

Limited Partner, White, Weld & Co.

J. C. Cleaver, Milwaukee, Wis.

Chairman, Board of Directors, Aqua-Chem, Inc.

William A. Coolidge, Cambridge, Mass.

Director of Various Corporations

Charles W. Duncan, Jr., Atlanta, Ga.

Executive Vice President, The Coca-Cola Company

James A. Farley, New York, N. Y.

*Chairman, Board of Directors,
The Coca-Cola Export Corporation*

R. W. Freeman, New Orleans, La.

*Chairman, Board of Directors,
The Louisiana Coca-Cola Bottling Company, Ltd.*

Lindsey Hopkins, Miami, Fla.

Chairman, Board of Directors, Security Trust Company

John T. Lupton, Chattanooga, Tenn.

*President, The Coca-Cola Bottling Works, Inc. (Dallas)
and Houston Coca-Cola Bottling Company*

John A. Sibley, Atlanta, Ga.

*Honorary Chairman, Board of Directors,
Trust Company of Georgia*

Lee Talley, St. Michaels, Md.

*Retired, Former Chairman, Board of Directors,
and former President, The Coca-Cola Company*

D. A. Turner, Columbus, Ga.

*Chairman, Boards of Directors,
Columbus Bank & Trust Co. and W. C. Bradley Co.*

George W. Woodruff, Atlanta, Ga.

Director of Various Corporations

R. W. Woodruff, Atlanta, Ga.

Chairman, Finance Committee, The Coca-Cola Company

The Coca-Cola Company and Subsidiaries

Consolidated Statement of Profit and Loss

| | <u>YEAR ENDED DECEMBER 31,</u> | |
|---|--------------------------------|-----------------------|
| | <u>1970</u> | <u>1969</u> |
| Net sales | \$ 1,606,401,160 | \$ 1,422,063,013 |
| Cost of goods sold | <u>880,751,494</u> | <u>771,050,527</u> |
| GROSS PROFIT | 725,649,666 | 651,012,486 |
| Selling, administrative and general expenses .. | <u>437,345,435</u> | <u>392,442,522</u> |
| OPERATING PROFIT | 288,304,231 | 258,569,964 |
| Other income | <u>13,490,525</u> | <u>17,966,572</u> |
| | 301,794,756 | 276,536,536 |
| Less other deductions | <u>10,611,789</u> | <u>13,367,221</u> |
| PROFIT BEFORE TAXES ON INCOME .. | 291,182,967 | 263,169,315 |
| Provision for taxes on income | <u>144,307,000</u> | <u>132,931,000</u> |
| NET PROFIT | <u>\$ 146,875,967</u> | <u>\$ 130,238,315</u> |
| Net profit per share of common stock | \$2.48 | \$2.20 |

Consolidated Statement of Earned Surplus

| | <u>YEAR ENDED DECEMBER 31,</u> | |
|---|--------------------------------|-----------------------|
| | <u>1970</u> | <u>1969</u> |
| Balance at January 1 | \$ 486,691,836 | \$ 432,275,743 |
| Net profit for the year | <u>146,875,967</u> | <u>130,238,315</u> |
| | 633,567,803 | 562,514,058 |
| Dividends paid in cash (per share— 1970, \$1.44; 1969, \$1.32) | <u>84,827,947</u> | <u>75,822,222</u> |
| BALANCE AT DECEMBER 31 | <u>\$ 548,739,856</u> | <u>\$ 486,691,836</u> |

The Coca-Cola Company and Subsidiaries

Assets

| | DECEMBER 31, | |
|---|------------------------|-----------------------|
| | 1970 | 1969 |
| CURRENT: | | |
| Cash..... | \$ 71,223,382 | \$ 71,936,689 |
| U. S. Government and other marketable securities—at cost (market price—1970, \$79,310,890; 1969, \$71,569,870) .. | 79,573,757 | 72,173,844 |
| Trade accounts receivable (less allowance—1970, \$2,085,102; 1969, \$1,707,364)..... | 121,453,841 | 103,345,885 |
| Inventories | 170,869,674 | 153,188,528 |
| Prepaid expenses..... | 19,158,813 | 21,862,526 |
| TOTAL CURRENT ASSETS..... | 462,279,467 | 422,507,472 |
| MISCELLANEOUS INVESTMENTS AND OTHER ASSETS..... | 47,644,621 | 35,619,297 |
| PROPERTY, PLANT AND EQUIPMENT: | | |
| At cost: | | |
| Land and improvements..... | 54,162,051 | 49,466,553 |
| Buildings..... | 191,398,202 | 167,358,217 |
| Machinery and equipment..... | 384,123,354 | 353,483,984 |
| Containers | 78,003,574 | 70,881,668 |
| | 707,687,181 | 641,190,422 |
| Less allowance for depreciation | 267,125,212 | 237,376,072 |
| | 440,561,969 | 403,814,350 |
| FORMULAE, TRADE-MARKS AND GOODWILL—at cost..... | 55,291,157 | 52,558,423 |
| | \$1,005,777,214 | \$ 914,499,542 |

Consolidated Balance Sheet

Liabilities

| | DECEMBER 31, | |
|--|------------------------|------------------------|
| | 1970 | 1969 |
| CURRENT: | | |
| Notes payable | \$ 13,370,716 | \$ 13,791,028 |
| Current maturities of long-term debt | 3,762,455 | 3,588,172 |
| Accounts payable and accrued accounts | 136,397,071 | 120,310,807 |
| Accrued taxes—including taxes on income .. | 67,771,603 | 60,034,216 |
| TOTAL CURRENT LIABILITIES | 221,301,845 | 197,724,223 |
| LONG-TERM DEBT | 16,077,289 | 22,131,889 |
| RESERVE FOR FOREIGN OPERATIONS | 101,655,814 | 101,655,814 |
| DEFERRED INCOME TAXES | 12,501,576 | 9,925,003 |
| CAPITAL STOCK AND SURPLUS: | | |
| Common stock—no par value; authorized 70,000,000 shares; (issued 1970, 59,466,020 shares; 1969, 59,333,821 shares) | 59,824,972 | 59,691,451 |
| Capital surplus | 46,510,457 | 39,195,066 |
| Earned surplus | 548,739,856 | 486,691,836 |
| | 655,075,285 | 585,578,353 |
| Less shares of stock held in treasury—at cost (1970, 23,386 shares; 1969, 80,800 shares) | 834,595 | 2,515,740 |
| | 654,240,690 | 583,062,613 |
| | \$1,005,777,214 | \$ 914,499,542 |

The Coca-Cola Company and Subsidiaries

Source and Application of Working Capital

| | YEAR ENDED DECEMBER 31, | |
|---|-------------------------|-----------------------|
| | <u>1970</u> | <u>1969</u> |
| SOURCE OF WORKING CAPITAL | | |
| From operations: | | |
| Net profit for year | \$ 146,875,967 | \$ 130,238,315 |
| Non-cash items: | | |
| Provision for depreciation | 48,217,732 | 42,897,455 |
| Deferred income taxes | 2,576,573 | 3,065,059 |
| Other | 7,372,151 | 3,446,219 |
| TOTAL FROM OPERATIONS | 205,042,423 | 179,647,048 |
| Disposals of property, plant and equipment | 12,650,252 | 16,311,019 |
| Proceeds from exercise of stock options ... | 5,734,201 | 3,014,969 |
| Other items, net | 663,122 | (408,860) |
| | <u>224,089,998</u> | <u>198,564,176</u> |
| APPLICATION OF WORKING CAPITAL | | |
| Cash dividends | 84,827,947 | 75,822,222 |
| Additions to property, plant and equipment | 104,987,754 | 112,295,638 |
| Increase in miscellaneous investments and other assets | 12,025,324 | 3,331,163 |
| Decrease in long-term debt | 6,054,600 | 4,158,487 |
| | <u>207,895,625</u> | <u>195,607,510</u> |
| INCREASE IN WORKING CAPITAL | 16,194,373 | 2,956,666 |
| Working capital at beginning of year | 224,783,249 | 221,826,583 |
| WORKING CAPITAL AT END OF YEAR | <u>\$ 240,977,622</u> | <u>\$ 224,783,249</u> |

Notes to Financial Statements

1. Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its subsidiaries.

Prior to 1970 the Company followed the policy of including in consolidated net profit the entire net profit of the Canadian subsidiaries and the net profit of other foreign subsidiaries only to the extent such profits were remitted to the Company. In 1970 the Company adopted the policy of including in consolidated net profit the entire net profit of all foreign subsidiaries. The financial statements for 1969 have been restated to include the entire net profit of all foreign subsidiaries resulting in an increase in 1969 consolidated net profit of \$6,206,030 (\$.10 a share). The former "Reserve for unremitted foreign profits", which was created in years prior to 1969 by appropriations from income, has been redetermined as a "Reserve for foreign operations" and will be charged or credited, as appropriate, with abnormal foreign exchange revaluations and abnormal losses on foreign operations. The Company's investments in consolidated subsidiaries outside the United States are shown below:

| | December 31, | |
|--|---------------|---------------|
| | 1970 | 1969 |
| Current assets..... | \$168,773,848 | \$152,243,392 |
| Property, plant and equipment—net..... | 147,340,442 | 129,905,758 |
| Other assets..... | 35,960,692 | 23,020,704 |
| | 352,074,982 | 305,169,854 |
| Liabilities..... | 136,796,243 | 126,431,742 |
| Net assets..... | \$215,278,739 | \$178,738,112 |

Property accounts, investments in foreign securities, and formulae, trade-marks and goodwill were translated at rates of exchange prevailing at dates of acquisition and all other assets and liabilities at approximate rates of exchange prevailing at year end; income and expenses were translated at rates of exchange prevailing during the year except as to depreciation which was translated on the same basis as the related property accounts.

In May 1970 the Company issued 1,754,000 shares of its common stock for all of the outstanding common stock of Aqua-Chem, Inc., a manufacturer of packaged steam generators, water pollution control equipment and equipment for desalting sea water. This transaction has been accounted for as a pooling of interests; accordingly, the 1969 and 1970 financial statements have been retroactively restated to include the accounts of Aqua-Chem, Inc.

2. Inventories are stated at the lower of cost (principally average or first-in, first-out method) or market except that inventories of certain major citrus concentrate products are stated at the lower of cost (last-in, first-out method) or market.

3. Long-Term Debt (exclusive of current maturities).

| | December 31, | |
|---|----------------------|----------------------|
| | 1970 | 1969 |
| Mortgages on grove properties payable in installments through 1982 (average interest rate 5½%)..... | \$ 1,190,500 | \$ 1,390,500 |
| Other mortgages payable in installments through 1981 (average interest rate 7%)..... | 1,572,044 | 1,426,047 |
| Sinking Fund Debentures 5½%, payable in installments through January 1974..... | 600,000 | 900,000 |
| Subordinated Debentures 5½%, payable in installments through January 1976..... | 1,550,000 | 1,700,000 |
| Promissory notes 5½%, payable in installments through 1978..... | 2,625,000 | 3,000,000 |
| Unsecured notes, principally of various foreign affiliates, payable in annual installments through 1977 (average interest rate—1970, 6.7%; 1969, 7.3%)..... | 8,539,745 | 13,715,342 |
| | <u>\$ 16,077,289</u> | <u>\$ 22,131,889</u> |

Notes to Financial Statements (continued)

4. Stock Options. Options are held by officers and employees of the Company and its subsidiaries to purchase shares of the Company's common stock at prices ranging principally from \$17.53 to \$84.00 per share in 1970 and from \$17.53 to \$74.75 per share in 1969. Further information relating to the options is as follows:

| | 1970 | 1969 |
|--|-----------|----------|
| Options outstanding at January 1 | 513,512 | 545,923 |
| Options assumed in merger of Aqua-Chem | 29,721 | — |
| Options granted during the year | 96,300 | 74,710 |
| Options exercised during the year | (147,309) | (99,560) |
| Options cancelled during the year through death, retirement or resignation | (8,030) | (7,561) |
| Options outstanding at December 31 | 484,194 | 513,512 |
| Options exercisable at December 31 | 249,852 | 250,332 |
| Shares available for option which may be granted | 84,480 | 202,471 |

5. Pension Plans. The Company and its subsidiaries have various pension plans covering substantially all employees, including certain employees in foreign countries. Pension expense determined under various actuarial cost methods, principally aggregate level cost method, amounted to \$9,763,674 in 1970 and \$7,711,729 in 1969. In general, pension costs are funded when accrued.

6. Depreciation. Provision for depreciation in the amount of \$48,217,732 in 1970 and \$42,897,455 in 1969 was charged to manufacturing and other expenses. Approximately 60% of the amount for each year was determined by the straight-line method and the remainder by accelerated methods.

7. Changes in Capital during 1969 and 1970 are as follows:

| | Common Stock Issued | | Capital Surplus |
|---|---------------------|---------------|-----------------|
| | Shares | Amount | |
| Balance January 1, 1969 | 57,494,415 | \$ 57,835,062 | \$ 21,771,490 |
| Sale of stock (85,476 shares of previously unissued and 14,084 shares of treasury) to employees exercising stock options | 85,476 | 86,331 | 2,577,056 |
| Excess of market price over cost of 13,250 shares of treasury stock issued for capital stock of Belmont Springs Water Co., Inc. | 0 | 0 | 752,687 |
| Other | (70) | (1,482) | 0 |
| Balance December 31, 1969 | 57,579,821 | 57,919,911 | 25,101,233 |
| Merger with Aqua-Chem, Inc. | 1,754,000 | 1,771,540 | 14,093,833 |
| Balance December 31, 1969 after giving effect to merger | 59,333,821 | 59,691,451 | 39,195,066 |
| Sale of stock (132,203 shares of previously unissued and 15,106 shares of treasury) to employees exercising stock options | 132,203 | 133,525 | 5,128,468 |
| Excess of market price over cost of 42,320 shares of treasury stock issued for capital stock of Coca-Cola Bottling Company of Worcester | 0 | 0 | 2,187,058 |
| Other | (4) | (4) | (135) |
| Balance December 31, 1970 | 59,466,020 | \$ 59,824,972 | \$ 46,510,457 |

Accountants' Report

To the Board of Directors
The Coca-Cola Company
Wilmington, Delaware

We have examined the consolidated balance sheet of The Coca-Cola Company and subsidiaries as of December 31, 1970, and December 31, 1969, and the related consolidated statements of profit and loss, earned surplus, and source and application of working capital for the two years ended December 31, 1970. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures

as we considered necessary in the circumstances.

In our opinion, the accompanying statements, as identified above, present fairly the consolidated financial position of The Coca-Cola Company and subsidiaries at December 31, 1970, and December 31, 1969, and the consolidated results of their operations, changes in capital, and source and application of working capital for the two years ended December 31, 1970, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Ernst

Atlanta, Georgia
February 26, 1971

The Coca-Cola Company

J. Paul Austin *Chairman, Board of Directors, and President*
 Charles W. Duncan, Jr. *Executive Vice President*
 Charles W. Adams *Senior Vice President*
 Fred W. Dickson *Senior Vice President*

Vice Presidents

| | |
|---------------------|-------------------|
| Edward Aborn | Donald R. Keough |
| C. E. Boyd, Jr. | Donald A. Leslie |
| R. J. Broadwater | Hugh W. Schwarz |
| Ovid R. Davis | C. A. Shillinglaw |
| S. N. Gardner | J. Lucian Smith |
| Roberto C. Goizueta | John R. Talley |

F. B. Eisenberg *Vice President and Controller*
 John D. Goodloe *Vice President and Corporate Counsel*
 George M. Lawson *Vice President and General Counsel*
 W. A. Boykin, Jr. *Treasurer*
 J. W. Jones *Secretary*

Coca-Cola USA

Atlanta, Georgia

J. Lucian Smith *President*

Vice Presidents

| | |
|------------------------|--------------------|
| J. E. Bilbo | William S. Judkins |
| J. Allen Brent | Thomas C. Law, Jr. |
| Donald F. Cox | Malcolm A. McNiven |
| Ralph H. Garrard | John M. Mount |
| T. H. Gibson | John H. Ogden |
| Richard D. Harvey | A. E. Pickhardt |
| Ira C. Herbert | Francis H. Spears |
| M. S. Hodgson, Jr. | Walter L. Susong |
| Norman W. Jenkins, Jr. | Kelvin A. Wall |
| | James F. Williams |

Area Vice Presidents

| | |
|--------------------|-------------------|
| Homer C. Burrous | Clifton E. Hewell |
| Wilson P. Franklin | James W. Wimberly |

Charles S. Lord *Secretary and Treasurer*

The Coca-Cola Export Corporation

New York, N.Y.

James A. Farley, New York *Chairman, Board of Directors*
 John R. Talley, New York *President*

Senior Vice Presidents

| | |
|--------------------------------|------------------------------|
| M. H. Farnsworth, Coral Gables | H. B. Nicholson, Jr., London |
| C. M. Halle, London | J. W. Rintelen, New York |
| A. E. Killeen, Johannesburg | W. H. Roberts, Hong Kong |
| H. F. MacMillan, New York | J. H. Smit, New York |
| R. C. Munsche, New York | C. P. Stephens, New York |

Vice Presidents

| | |
|---------------------------------|--------------------------------|
| F. H. R. Baraldi, London | Oel Johnson, New York |
| M. W. Bates, New York | A. Malaspina, New York |
| A. J. Boller, London | G. J. Marazzini, Milan |
| J. R. Carpenter, Coral Gables | T. Nowak, New York |
| R. N. Chrane, New York | H. D. Olson, New York |
| H. T. Circuit, Jr., Mexico City | K. Putter, Essen |
| J. R. Ennis, Sydney | D. G. Sisler, Brussels |
| P. W. D. Fairbarns, Hong Kong | W. O. Solms, Coral Gables |
| I. Graul, Rome | F. Van de Walle, Buenos Aires |
| C. H. Hodgkins, New York | J. M. S. de Vicuna, Madrid |
| V. G. Hoppers, London | H. F. Wilds, Jr., Coral Gables |
| C. E. Hulley, Istanbul | A. Young, Nairobi |
| A. A. Joary, Brussels | C. G. Zogran, New York |

K. B. Graf, New York *Vice President and General Counsel*
 J. J. McGourty, New York *Vice President and Controller*
 H. F. MacMillan, New York *Secretary*
 S. Ayoub, New York *Treasurer*

The Coca-Cola Company Foods Division

Houston, Texas

Donald R. Keough *President*

Vice Presidents

Thomas C. Cleveland
Henry Cragg
Robert V. Fey
John J. Gillin
Lee S. Harrow
Norman W. Jenkins, Jr.

W. M. Kelly
B. M. Middlebrooks
Matt S. Miller
Albert G. Munkelt
James L. Parker
Almond Power
Harold D. Wakefield

John N. Touchstone *Secretary*
Roland G. Parker *Treasurer*

Tenco

Linden, New Jersey

Edward Aborn *President*
Dudley A. Tremble *Executive Vice President*

Vice Presidents

Evan A. Dickson
Edward T. Down

John M. Miller
Edward D. Reeves
Philip Sacher

Frank W. Bachmann *Vice President and Secretary*

Coca-Cola Ltd.

Toronto, Ontario, Canada

R. E. Sewell *Chairman, Board of Directors*
G. J. Leonidas *President*
L. M. Hunter *Senior Vice President*

Vice Presidents

| | |
|----------------|--------------|
| E. T. Griffith | G. Pelletier |
| G. D. Millson | W. F. Sherer |

A. B. Ballentine *Vice President and Secretary*
D. C. Robinson *Treasurer*

Aqua-Chem, Inc.

Milwaukee, Wisconsin

J. C. Cleaver *Chairman, Board of Directors*
John K. Collings, Jr. *President*

Vice Presidents

| | |
|-------------------|--------------------|
| Edward G. Giery | William C. Lindsay |
| Gordon F. Leitner | Jerome E. Vielehr |

Jerome E. Vielehr *Secretary and Treasurer*

Transfer Agents

Wilmington Trust Company
Wilmington, Delaware

Morgan Guaranty Trust Company of New York
New York, New York

Trust Company of Georgia
Atlanta, Georgia

Registrars

Bank of Delaware
Wilmington, Delaware

The Chase Manhattan Bank N.A.
New York, New York

The First National Bank of Atlanta
Atlanta, Georgia

Dividend Disbursing Agent

Wilmington Trust Company
Wilmington, Delaware



